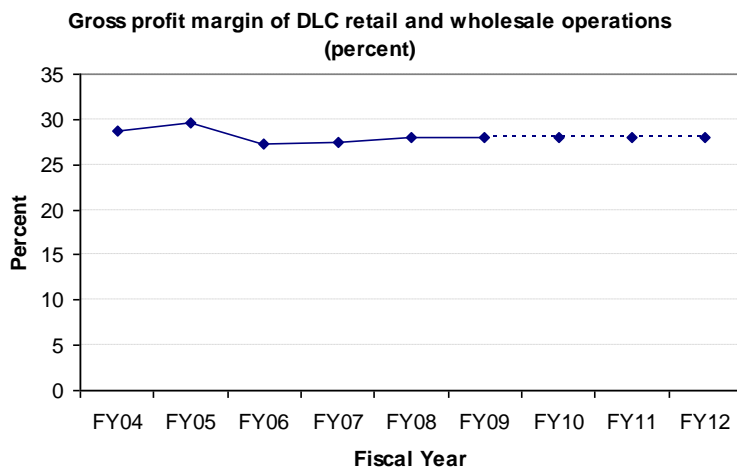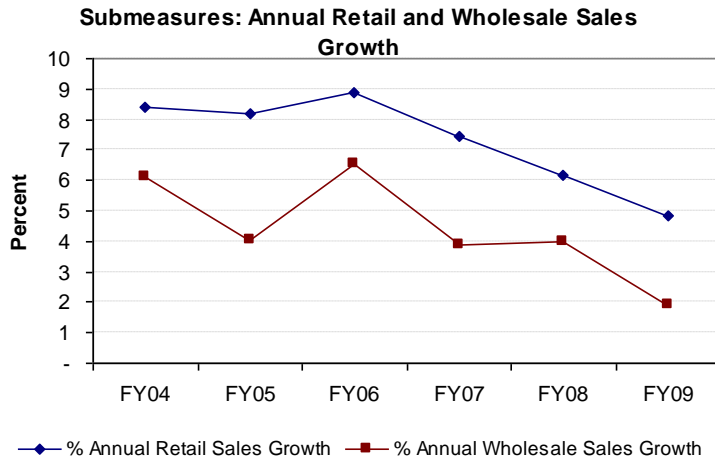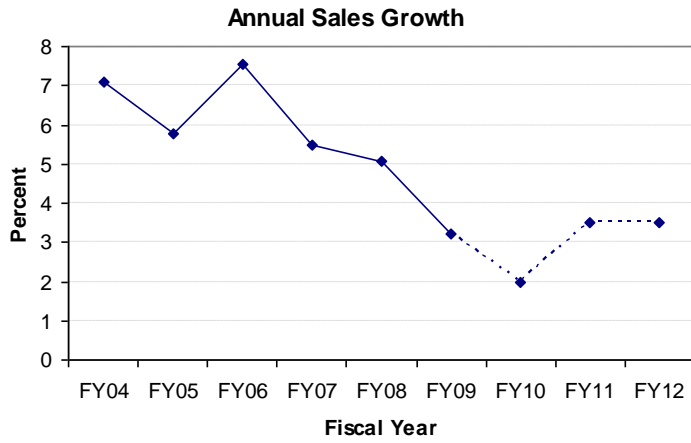# Department of Liquor Control
Performance Plan

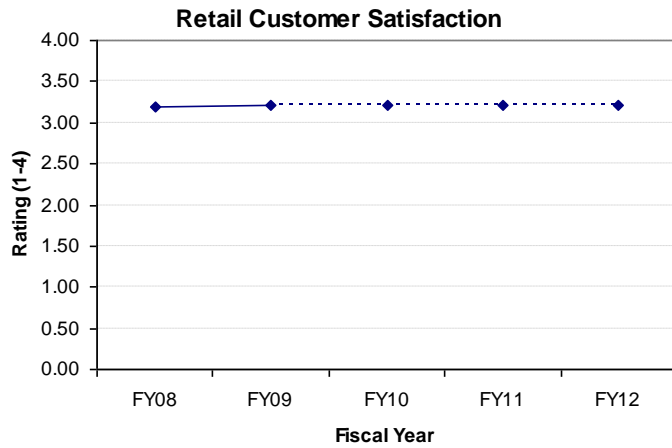## Contribution to Montgomery County Results

A Responsive and Accountable County Government
Healthy and Sustainable Communities
Safe Streets and Secure Neighborhoods
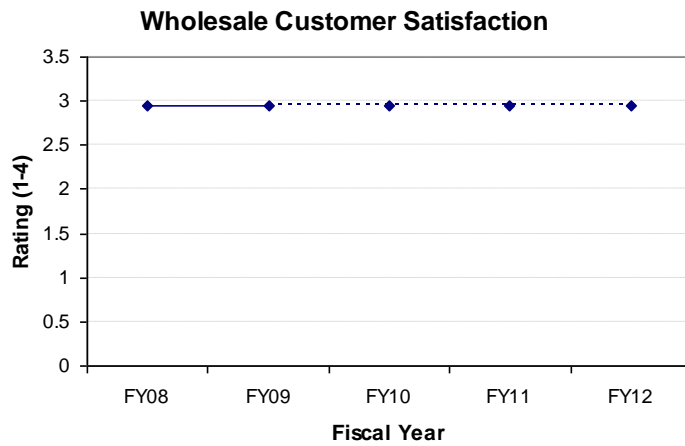A Strong and Vibrant Economy

Contribution of DLC

What DLC Does and for Whom	How Much
Overall The Department of Liquor Control provides a wide selection of products at competitive prices to the citizens of Montgomery County while promoting moderation and responsible consumption of the products offered for sale.	• Total: $39,228,000 • Total: 324 Positions (includes 60 part time positions); 343.8 WYs
Wholesale and Retailing of Beverage Products Provide wholesaling distribution services to over 900 licenses and twenty five county owned retail stores supporting a business operation with annual sales of over $218 million. Provide customer service via twenty-five retail stores to our citizens numbering almost one million over a geographic area of approximately 500 miles.	• $13,330,530 • 141.7 WYs • $17,504,260 • 151.9 WYs
Licensure, Regulation and Education Provide licensure, education and training services to our licensees and promote moderation and responsible behavior.	• $1,592,470 • 15.0 WYs

Performance

Annual Sales Growth

Submeasures: Annual Retail and Wholesale Sales Growth

→ % Annual Retail Sales Growth → % Annual Wholesale Sales Growth

Gross profit margin of DLC retail and wholesale operations (percent)
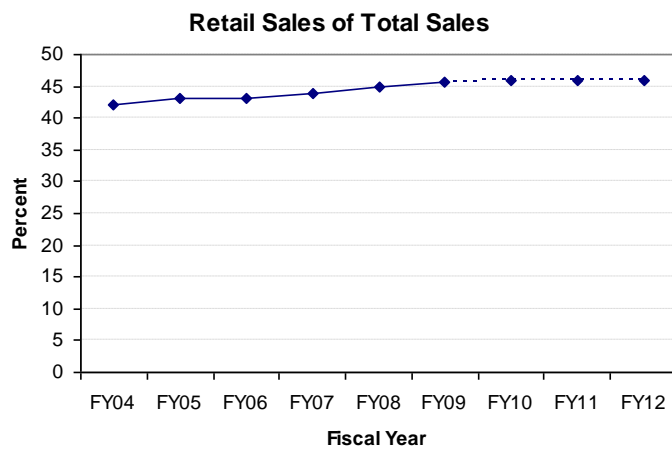
Retail Customer Satisfaction

Note: This measure was changed in FY09 to reflect a new survey methodology. Baseline data was collected this year.

Wholesale Customer Satisfaction
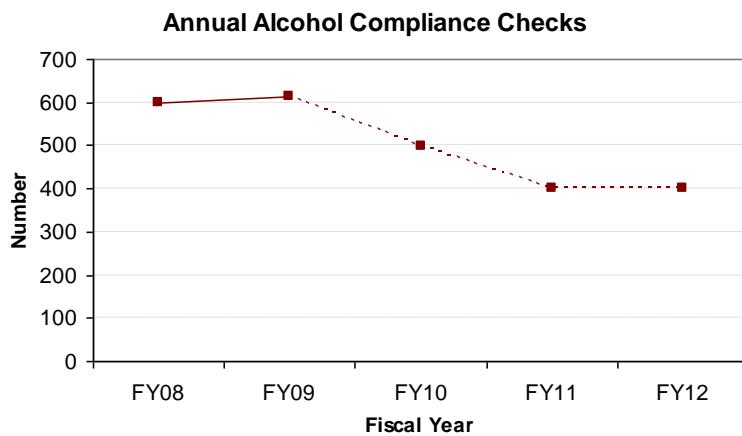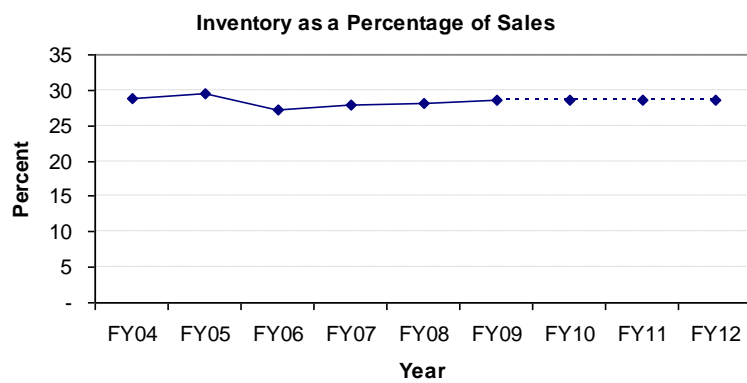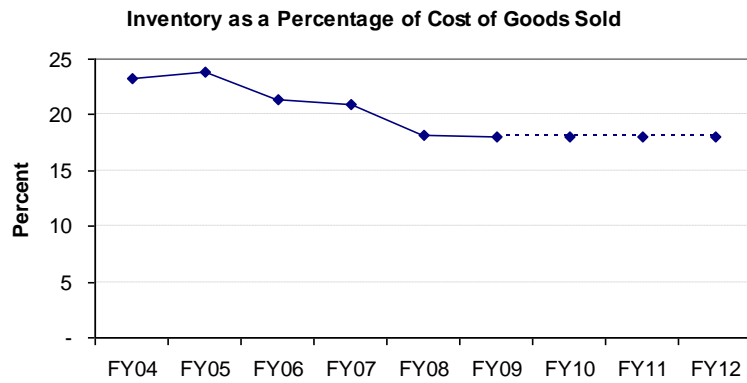
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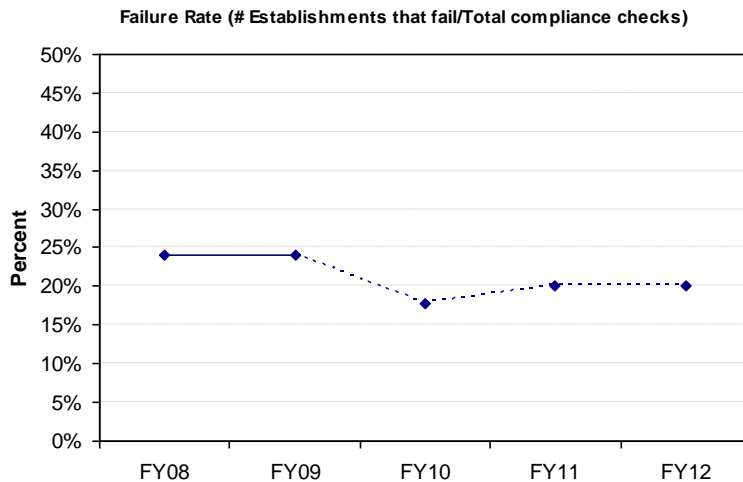
Retail Sales of Total Sales

Inventory as a Percentage of Cost of Goods Sold

Inventory as a Percentage of Sales

Annual Alcohol Compliance Checks

Note: Licensure, Regulation and Education moved into the Department of Liquor Control in 2007.

Failure Rate (# Establishments that fail/Total compliance checks)

Note: Licensure, Regulation and Education moved into the Department of Liquor Control in 2007.

The Story Behind the Performance

Consistent achievement of the Department's performance measures has resulted in several positive outcomes, one of them being the ability of the Department of Liquor Control to make a cumulative contribution to the County General Fund of $173.4 million over the last ten years.

Fiscal Measures:

Sales Growth

Contributing Factors:

- High level of customer service satisfaction in its retail stores and wholesale delivery operations.

- Competitive prices offered to its customers.

Restricting Factors:

- An overall national trend that indicates flattening beer and liquor consumption.

- A limited advertising strategy that is a reflection of the County's role in this business operation.

Cost of Goods Sold to Sales (Gross Profit Margin)

The Department's goal is to maintain a gross profit margin (cost of goods sold to sales) of twenty eight percent. A gross profit margin of twenty-eight percent will ensure that the Department meets it cost of operations and transfers a pre-determined amount of profit to the general fund.

Contributing Factors:

- Good management of product selection and inventory control.
- Offering competitive prices
- Ensuring that the County's retail stores offer a rewarding retail experience.
- The Department has also achieved numerous productivity enhancements by re-engineering automated processes such as:
    - periodic inventory counts are now performed within twenty four hours versus seventy two hours;
    - automating the manual verification of gallons purchased as required by the State of Maryland for excise tax collections has saved .25 work year;
    - automating the production of the daily sales report has improved timeliness and accuracy and saved several hours of staff time each day; and
    - automating the product sales report to the Sate of Maryland as also saved time and improved morale of staff by reducing manual tasks.
- The Department's productivity enhancements have resulted in the reduction of two financial staff positions saving an average of $110,000. The savings have been utilized to deploy targeted resources to process and track claim receivables which average $700,000 per month and improve the accuracy of product pricing which in return ensures the achievement of desired margins.

Restricting Factors:

- In-house cost escalations such as funding negotiated compensatory expenses, which account for sixty-five percent of operating costs, and other costs such as retail store leases and, utility and transportation costs which are rising well above the five percent increase in sales.

Operational Measures:

Customer Satisfaction (Retail and Wholesale)

The Department's goal is to ensure a consistent trend in customer satisfaction for retail and wholesale divisions.

Contributing Factors:

- The implementation of the retail store expectation checklist program. Stores are routinely inspected for compliance to established standards and appropriate training is provided to ensure that standards of service are maintained.

- Positive wholesale customer satisfaction is achieved by ensuring that orders are shipped on time and delivery personnel are trained on addressing issues that may arise while a delivery is being performed.

Restricting Factors:

- A low wholesale survey response rate provides insufficient data for quality decision making. (Customers generally do not participate in surveys if they are satisfied and hence surveys may be skewed and participant's response is also impacted by their philosophical view of the County's role in the liquor warehousing and retail business.)

Retail Sales as a Percentage of Total Sales

The Department's goal is to increase retail sales as a percentage of total sales, as net profit per sale at retail sores is higher when compared to sales arising from wholesale.

Contributing Factors:

- Product selection strategies, store cleanliness, product stocking and staff knowledge.

Restricting Factors:

- A high turnover of part time staff, continuously emerging product lines requiring new training and limited stores hours (no Sunday hours and 9:00 pm-10:00 pm closing times.)

- Responsible product offering that does not encourage off-site and in-transit consumption but are readily available in surrounding jurisdictions and could increase overall sales. Finally, as stated earlier, national trends point to flattening beer and liquor consumption is a restricting factor.

Sales (in millions) per Retail Associate

The Department's goal is to ensure that productivity gains are being realized to offset increasing cost. Sales (millions) per retail associated clearly demonstrate that the Department is doing more with the same level of resources.

Contributing Factors:

- Focus on customer service, competitive pricing, product knowledge and store presentation.

Restricting Factors:

- High turnover of temporary retail staff and the accompanying learning curve of new staff.

Licensure, Regulation, and Education Measures:

The Department's goal is to prevent the sale of tobacco products to minors. The department conducts routine compliance checks to test the age verification procedures utilized by retailers. Reducing the failure of compliance checks is a validation that prevention of the sale of tobacco products to minors is being achieved.

Contributing Factors:

- Training and education provided to retailers and the placement of appropriate literature in stores to combat sale to minors.

Restricting Factors:

- High turnover of licensee retail staff to include low staffing levels resulting in long checkout lines and low verification checks.

- A highly motivated and educated minor clientele who wish to procure such products.

The Department's goal is to perform annual alcohol compliance check in collaboration with the Department of Police to ensure that licensees comply with all state laws with respect to the purchase and sale of liquor products.

Contributing Factors:

- Education and training and appropriate disciplinary action for noncompliance.

Restricting Factors:

- Businesses owned by non-English speaking individuals with cultural attitudes and past experience towards the importance of implementing compliance regulations.

What We Propose to Do to Improve Performance

- In light of the flattening consumption trends, the Department intends to focus its efforts on operational effectiveness such as maintaining an optimum balance between sales, purchases and inventory levels. Maintaining an optimum balance will ensure that the Department will be able to achieve its goal of a twenty-eight percent gross profit margin ratio.

- The Department will continue to emphasize customer service by performing routine inspections of its stores and evaluate stores based on established criteria and providing regular product knowledge seminars to its retail staff.

- The Department continues to provide (subject to budget availability) a six-week training course in wine knowledge and customer service to all retail merit employees (as well as the Purchasing staff). The class is 18 hours of classroom training taught by Robert Cavanaugh, who holds certifications from the Windows on the World Wine Academy in New York, The Wine and Spirits Education Trust of London (WSET), and The Court of Master Sommeliers.

- The Department proposes to open two to four additional stores in the next five years. The number of County owned retail stores has not increased proportionate to an increase in the County population and the Upcounty region remains underserved.

- The Division of Licensure, Regulation and Education in collaboration with the Department of Police Alcohol Unit and in partnership with private businesses seeks to improve the number and quality of inspections performed and increase the knowledge of the licensee with respect to the laws governing the sale of alcohol and tobacco products.

Appendix A: Budget

Appendix B: Implementation

Appendix C: Data Development Agenda

Addendum
Partnerships/Collaborations

- **Business Alliances** - The Department of Liquor Control has found that creating community based umbrella organizations under which local business owners' work with public-private partnerships to customize and implement prevention, education and enforcement programs is an effective deterrent to over-service, underage sales and related issues. Groups work on their own individual issues that can include drunk driving and alcohol related crime stemming from over-serving and serving alcohol to underage persons. The gathered expertise in these groups provides incentives and resources for responsible hospitality; enhances the capacity of existing agencies to use resources more effectively; improves practices of high risk establishments; facilitates accessibility to information and educational programs on responsible hospitality; enhances professional skills and images of those working in the industry and promotes the effective use of a County Code of Conduct. The Department has gathered representation from the following to create these effective partnerships.
  - Alcohol and Other Drug Abuse Advisory Council
  - Criminal Justice Information Services
  - Keeping It Safe (KIS) Under 21 Alcohol Prevention (Coalition)
  - Governor's Office Crime Control and Prevention Council
  - Long Branch Business League
  - Mother's Against Drunk Driving
  - Maryland Alcohol Licensing Association
  - Maryland Comptroller's Office
  - Maryland Highway Safety Office
  - Maryland Hospitality Education Foundation
  - Montgomery Community Partnership
  - Montgomery County Board of License Commissioners
  - Montgomery County Council
  - Montgomery County Department of General Services - Zoning
  - Montgomery County Department of Public Works and Transportation
  - Montgomery County Department of Recreation
  - Montgomery County Fire and Rescue
  - Montgomery County Health and Human Services - Substance Abuse Prevention Office
  - Montgomery County Health and Human Services – Tobacco Coalition
  - Montgomery County Health and Human Services - Treatment Services
  - Montgomery County Office of Human Resources
  - Montgomery County Office of the County Attorney
  - Montgomery County Park Police
  - Montgomery County Police
  - Montgomery County PTA

- Montgomery County Public Schools - Safe and Drug Free Schools
- Montgomery County Regional Services Centers
- Montgomery County Sheriff
- NABCA (National Alcoholic Beverages Control Association) and its member jurisdictions
- National Liquor Law Enforcement Agency
- Project Prom
- Responsible Hospitality Institute
- Restaurant Association of Maryland
- Students Against Driving Drunk
- States Attorney's Office
- Substance Abuse and Mental Health Services Administration
- The Beverage Alcohol Industry
- The Century Council.
- The Collaboration Council
- Washington Regional Alcohol Program
- Wheaton Business Alliance

- **Retail Point-of-Sale System** - The Department of Liquor Control has developed a partnership with the Department of Technology Services, Department of General Services – Office of Procurement and the County Attorney's Office to purchase a PCI compliant retail point-of-sale solution.

- **Alcohol Compliance Check Program** - Recognizing that beverage alcohol establishments are the first line of defense in reducing illegal alcohol sales, DLC developed a four-prong compliance check program to deter the sale of alcohol to youth under 21; to visibly intoxicated individuals; and in kegs illegally registered and to minors through room service at hotels and motels. This program now includes a team approach between agencies including both plain-clothes and uniformed police officers, a Montgomery County Liquor Control inspector, and a trained underage volunteer; a strict protocol and training program; annual statistical evaluations; and increased public awareness through media efforts that are coordinated with the Office of Public Information.

- **Tobacco Compliance Check Program** – The tobacco enforcement program includes both attempted tobacco purchases with youth under the age of 18 and surveillance to ensure compliance with tobacco distribution and placement laws. This program follows a strict protocol and youth are trained and accompanied by a Montgomery County Liquor Control inspector.

Innovations

- **The Alcohol Regulatory Forum** - The various boards of license commissioners from different counties have always operated in isolation regarding state alcohol laws/consequences, enforcement procedures and educational programs/resources. To close this gap, DLC held a free, comprehensive alcohol regulatory forum for all of Maryland, which was attended by members of various boards, inspectors, and administrators from throughout the state. This partnership enabled the group to share resources and trend information, helped to build a statewide concensus of operating procedures, and provided a list of contacts for the future. The first forum was such a success that it has become an annual event.

- **A.L.E.R.T. Training** – DLC has developed a free monthly training to assist people before they open a hospitality business to understand the legal and social responsibilities that accompany alcohol service and sales. Working to encourage the creation of safe venues for public gatherings and entertainment, all alcohol sellers and servers are encouraged to attend as well as license applicants. The court system often refers offenders to this training, which averages 50 attendees at each session.

- **The "Keeping it Safe" Public Education Campaign** – DLC has developed and implemented a campaign to reach out to both the hospitality industry and the community with educational materials such as ID checking calendars, signage and a responsible hospitality newsletter. A social host responsibility campaign titled, **"*Social Host Responsibility*"** is part of "Keeping it Safe" and is promoted through out the year through print materials and speaking engagements. Aiming at changing the current culture, social host responsibility promotes parental communication and zero tolerance for underage alcohol use. An online e-newsletter, *Safenet*, is part of the "Keeping it Safe" program currently serves hundreds of County parents and all Montgomery County PTAs. The department recently won a NACo award and an NLLEA award for this program.

Efficiencies:

- **Continued Paper Reduction –** The Department continues to reduce the amount of paper used by providing department users with on-line report generation to replace paper copies. Some examples are daily Journal Entries, Bank deposit information and daily and monthly sales reports for Accounts Receivable. This efficiency allowed the department to reduce the A/R staff complement by one full-time position.

- **Pricing Automation -** Administration automated the pricing process in a two-step approach. The first step, which was converting from manual entry to automated entry by DLC pricing personnel was completed by June 2009. The second step, which was implemented January 1, 2010, enabled vendors to will enter their own pricing. DLC pricing personnel performs a review of submitted changes and downloads it

automatically into our system. Because of this change, the department has reduced 1.5 Work Years from the budget.

- **Product Listing -** The Department has created a well-defined methodology for listing and delisting products. A three-person committee considers all new product requests, which are submitted on a comprehensive listing form; and reviews current inventory to identify and eliminate poor performers.

- **New Point-of-Sale System -** Finance, IT and Retail Operations have worked together with a provider to create a new Retail point-of-sale system. Customization is complete and installation begins in early FY2011.